such as payment of teachers salaries for non-existent schools and the increase in non-plan expenditure of State Governments; and

(b) what are the steps taken to reduce such revenue losses ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHAR MURTHY) : (a) and (b) Reduction of wasteful expenditures in States is primarily the subject matter of State Governments and it is for the State Governments to examine their wasteful expenditure and take steps to reduce revenue losses on this account. However, both the Ministry of Finance and the Planning Commission advise the State Governments from time to time on the occasions of plan discussions to control wasteful expenditure, bring about overall economy in States' expenditure and also control their non-plan as well as non-developmental expenditure.

MALHOTRA COMMITTEE ON INSURANCE SECTOR

2592. PROF. SAURIN BHATTACHARYA : Will the Minister of FINANCE be pleased to state :

(a) whether in pursuance of the conditionalities of loans from International Monetary Fund and World Bank R. N. Malhotra Committee on reforms in Insurance Sector was formed;

(b) what were its terms of reference;

(c) wheher in the name of competitiveness the Committee recommends the entry of not only Indian Private companies but also foreign companies in this crucial sector;

(d) whether in the name of efficiency the Committee has recommended denationalisation of the Insurance sector including both LIC and GIC, which forms one of the most important sources of Institutional finance; and

(e) what would be the reactions of the Government for these recommendations ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMAD) : (a) The Committee on Reforms in the Insurance Sector was set up by the Government of India consequent upon the announcement made by the Finance Minister in his Budget Speech for 1993-94 to this effect.

(b) The terms of reference of the Committee are given in the Statement (*See* below).

(c) to (e) The Committee is seized of these issues. The recommendations of the Committee which are expected shortly will be considered by the Government thereafter.

STATEMENT

Terms of reference of the R. N. Malhotra Committee for restructuring the Insurance Sector in India :

(i) To examine the structure of the insurance industry as it has evolved within the existing framework and to assess its strengths and weaknesses in terms of the objective of creating an efficicent and viable insurance industry providing a wide reach of insurance services and a variety of insurance products with a high quality of service to the public and serving as an effective instrument for mobilisation of financial resources for development.

(ii) To make recommendations for changes in the structure of the insurance industry, as well as the general framework of policy, as may be appropriate for the pursuit of the above objectives keeping in mind the structural changes currently underway in other parts of the financial system and in the economy.

(iii) To make specific suggestions regarding LIC and GIC, which would help to improve the functioning of these organisations in the changing economic environment.

(iv) To review the present structure of regulation and supervision of the insurance sector and to make recommendations for strengthening and modernising the regulatory system in tune with changing requirements.

(v) To review and make recommendations on the role and functioning of surveyors, intermediaries and other ancilliaries of the insurance sector.

(vi) To make recommendations on such other matters as the Committee considers relevant for the health and long term development of the insurance sector or which are consequential on other recommendations made by the Committee, including changes in legislation where necessary.

LOSS INCURRED BY CO-OPERATIVE BANKS IN MADHYA PRADESH

2593. SHRI DILIP SINGH JUDEV : Will the Minister of FINANCE be pleased to state :

(a) whether some co-operative banks in Madhya Pradesh are running in losses due to their heavy expenditure on Administration and salaries;

(b) if so, the details of such banks and the details of loss suffered by them during each of last five years;

(c) what are the actual figures of Administrative expenditure incurred by each bank district-wise; and

(d) the action proposed to be taken by Government to reduce the loss incurred by co-operative banks in Madhya Pradesh ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) to (d) The details of the losses incurred by District Central Co-operative Banks (DCCBs) and also their administrative expenditure for the last five years are given in the Statement (See below). The losses incurred by these banks arise on account of various factors like low business turnover, high cost of management, low operating margins, lack of diversification of loan portfolio, failure to manage funds prudently and low recovery.

National Bank for Agriculture and Rural Development (NABARD) had held discussions with the State Government on the position of losses of these institutions. The State Government was requested to have Action Plan for each loss making institution prepared indicating the specific measures like improving recoveries, economising on administrative costs, etc. so as to make the current operations viable in the first instance and eventually to liquidate the accumulated losses.